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Estate planning is crucial in financial planning to make sure assets are passed on efficiently and fairly, says **CHUA ZONG YOU**

AN elderly magnate passes and his children mourn together, displaying great solidarity. Fast forward a few months and these adult children make the headlines again – this time though, the siblings readily tell the court and the media about the character flaws that persist in one another, and why they deserve the lion's share of their father's inheritance.

All manner of dirty linen is aired, solidarity is abandoned and great legal costs are incurred. In the wake of all this, a shambled legacy is the outcome.

While the above scenario appears to be lifted directly off a daytime soap serial, the same scene is often played out in real life – and not just among the families of tycoons and magnates but also among ordinary people.

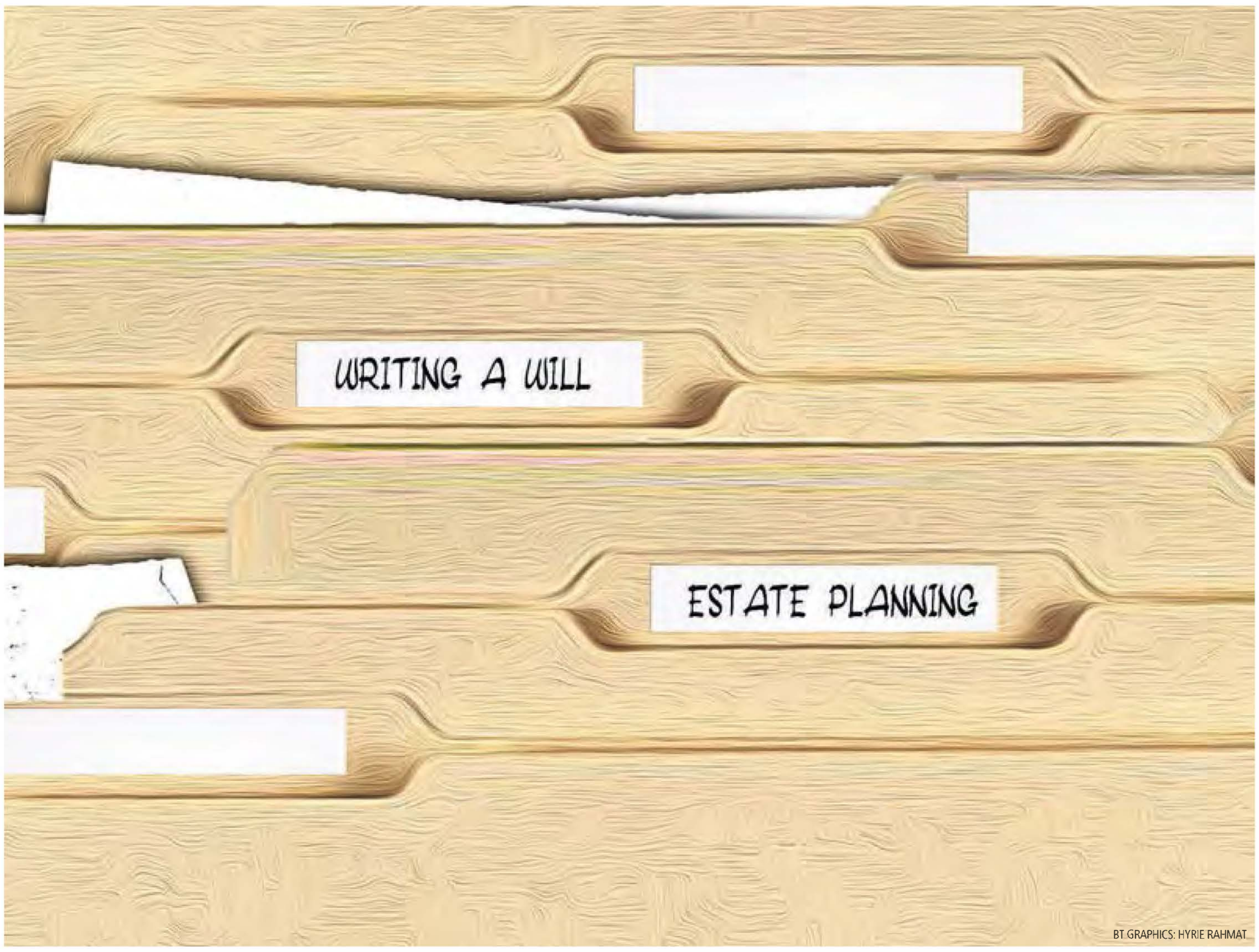
This means that each and every man and woman should take responsibility for the division of their estates so that unpleasant situations such as the abov eare avoided.

Which brings us to the topic of estate planning and the drawing up of a will.

Estate planning is the process where the assets of a person are acquired, preserved, managed and distributed efficiently and effectively, and if possible, as in the case of a will, in accordance with the deceased's wishes when he or she was alive.

The objectives of estate planning are multi-fold but it is essentially to ensure that the maximum value of the deceased's assets and wealth is distributed to his dependents according to his wishes.

This means there should as little of the estate leaked away in taxes and administrative charges as possible.



Writing a will

Increasingly, estate planning has also become a means for maintaining harmony in one's family after one's death, preventing disputes and misuse of funds.

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'Contrary to popular belief, writing wills need not apply to only the ailing and aged. Interestingly, many adults under the age of 30 have also written wills.'

The number has increased over the years due to the fact that the majority of people in their prime carry out dynamic lifestyles that are deemed perilous, such as travelling to destinations where terrorism is a threat.

Moreover, the number of these individuals acquiring affluence through investments is growing and these people quite naturally want their loved ones to be given their assets when they pass away.

Apart from this select group of wealthy young adventure-seekers, several other groups should also consider taking estate planning seriously.

These groups include, but are not limited to:

1) Small business owners: Such entrepreneurs desire a continuity of their business interests, usually among younger family members.

They might also want to ensure their interests can be sold for a good price upon retirement or death.

2) Parents of minor children: This group requires the provision of personal and financial care for their children in the event that both parents pass away before their children grow up.

3) Owners of estates that may incur hefty taxes: Prudent estate planning will ensure sufficient estate liquidity to pay taxes without having to sell estate assets.

4) Owners of property in multiple jurisdictions: These owners require the avoidance of ancillary probate so as to prevent estate shrinkage due to increasing administrative costs.

This refers to an additional probate process, meant to distribute an estate according to a will, in a place beyond one's home country.

5) Estate owners who require specificity in the distribution of their assets: Here there is a need to avoid the inflexible scheme of intestate distribution that is imposed by a state when property is not disposed of by will or will substitute.

In Singapore, intestacy laws decide how a deceased's estate is distributed to survivors in the absence of a will.

For example, if the deceased leaves a spouse, no children and no parents, the spouse will get the whole of the estate. If the deceased leaves behind a spouse and children, the spouse will get half.

Strategies in estate planning

There are several strategies involved in estate planning.

First, the minimisation of estate duty is what one should work towards. This might require the setting up of a trust, or making potentially tax-exempt gifts to a spouse.

This is applicable in countries that impose estate duties like the UK. Singapore scrapped estate duty in 2008.

Another strategy for effective estate planning is to appoint a reliable executor who is also financially adroit and competent.This is especially crucial as he will be in charge of administering and giving out the deceased's assets after death.

Next comes the reduction of administration costs and inconvenience.

The deceased's assets can again be maximised through the reduction of the cost of administering the estate plan. This in turn it will guarantee that the beneficiaries will acquire the benefits of the deceased's labour throughout his lifetime.

It is imperative to write a will as part of your estate plans since it will shorten court procedures and ultimately reduce administrative and legal costs.

Lastly, in the event where the care of minors is necessary, it is critical to authorise dependable individuals as guardians as they will be the ones who will utilise and invest assets for the welfare of those minors.

Given the many benefits of estate planning while still possessing the clarity of thought, it may be interesting to examine why there remains much apprehension about this practice.

Estate planning, due to its indirect association with death, results in negative views. Thus only those who contemplate the possibility of their imminent passing tend to actually carry out estate planning.

To many, death is taboo so it is better for them to leave the topic out of their thoughts.

Some also believe that they have ample time to carry out estate planning when they are older. Few anticipate premature death.

With an increasingly hectic lifestyle in Singapore, the idea of estate planning is often relegated to the back of an individual's mind while more emphasis is placed on priorities such as spending time with our loved ones.

Some say that their lack of assets means it is not necessary to do estate planning. This is wrong because estate planning helps one have a sense of personal net worth and socioeconomic standing.

To most individuals, the figures reflected in their bank account or stocks, bonds and even unit trusts are reflections of their wealth.

But this ignores CPF balance, insurance policies and one's home, which are also part of one's wealth and can add up to a substantial sum for beneficiaries.

Finally, there are individuals who do not plan their finances. To them, planning in itself is inconvenient and tedious.

But remember that money is a cause of a lot of vexation and endless arguments among families. Hopefully, after reading this article, you will do yourself and your loved ones a favour: If you do not have a will, make one now.

The writer is a second-year student at Singapore Management University (SMU) Lee Kong Chian School of Business and one of the student trainers in the Citi-SMU Financial Literacy Programme for Young Adults.

Jointly launched by Citi Singapore and SMU in April 2012, the programme is Singapore's first structured financial literacy programme for young adults. It aims to equip young adults aged 17 to 30 with essential personal finance knowledge and skills to give them a firm foundation in managing their money and a financial head start early in their working lives.